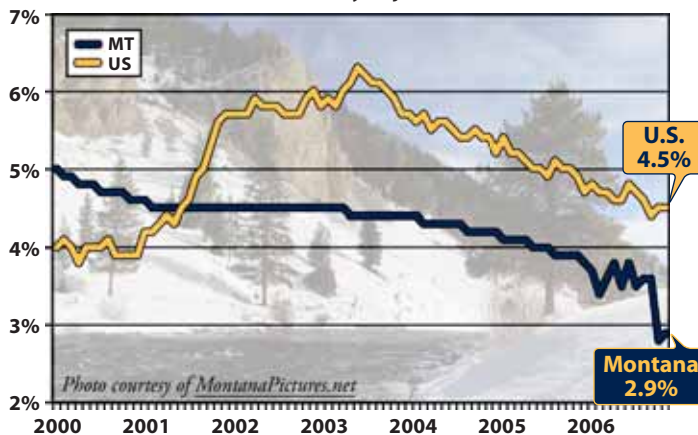


Montana Economy at a Glance



UNEMPLOYMENT RATE

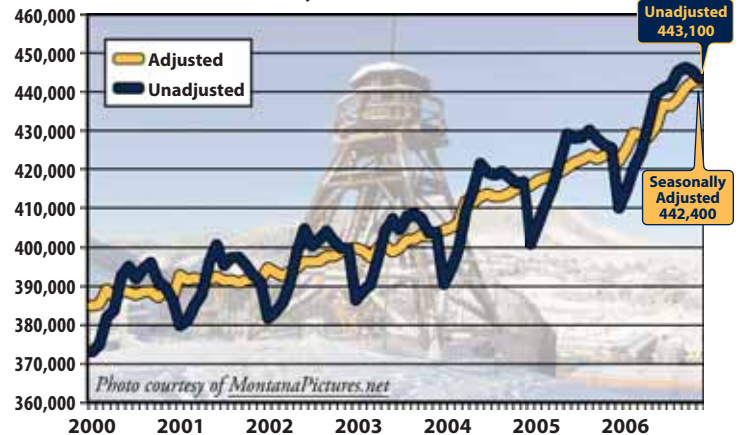
Seasonally Adjusted



Montana's seasonally adjusted unemployment rate increased slightly reaching 2.9% in December 2006 from 2.8% in November. The U.S. rate remained steady at 4.5% over the month.

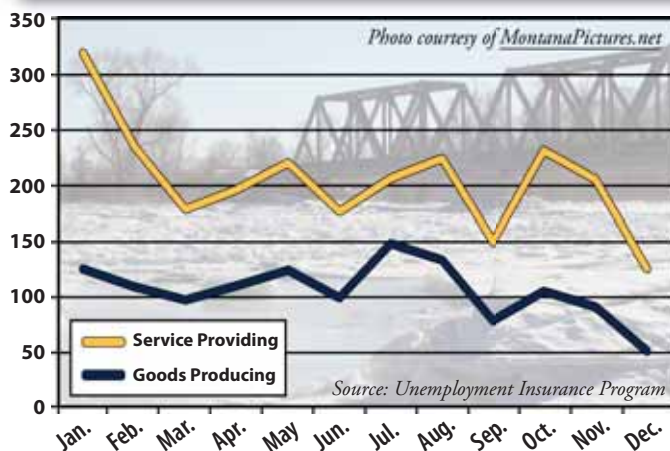
NONFARM EMPLOYMENT

January 2000 - December 2006



Montana's seasonally adjusted nonagricultural payroll employment showed no change over the month for December 2006. Leisure & Hospitality experienced the largest gain, increasing by 400 jobs, while Construction took the biggest loss, decreasing by 500 jobs.

NEW BUSINESS STARTS



New business starts declined again in December with 178, down 40% from the previous month, but this was expected as the year came to a close. Construction held on to the top spot with 24% of the new business starts. Gallatin County had over 20% of the new business starts this month, with Missoula County next in line at just over 11%.

EMPLOYMENT BY INDUSTRY

Industry Employment (in thousands)	Dec(P) 2006	Nov 2006	Net Change	Percent Change
Total Non-Agricultural	442.4	442.4	0.0	0.0%
Natural Resources & Mining	8.8	8.8	0.0	0.0%
Construction	30.6	31.1	-0.5	-1.6%
Manufacturing	20.5	20.6	-0.1	-0.5%
Trade, Transportation, Utilities	90.2	90.2	0.0	0.0%
Information*	7.9	7.8	0.1	1.3%
Financial Activities	23.1	22.9	0.2	0.9%
Professional & Business Services	38.7	38.8	-0.1	-0.3%
Education & Health Services*	59.2	59.2	0.0	0.0%
Leisure & Hospitality	58.3	57.9	0.4	0.7%
Other Services*	17.4	17.2	0.2	1.2%
Total Government	88.3	88.9	-0.6	-0.7%

*These series are not seasonally adjusted (P) denotes preliminary figures

Research & Analysis Bureau - Montana Department of Labor & Industry
Ph: (406) 444-2430 or (800) 541-3904 Fax: (406) 444-2638
www.ourfactsyourfuture.org

Finding Workers in a Tight Labor Market

by Annette Miller

In 2006, Montana's unemployment rate dropped to record lows. With an average unemployment rate of 3.3% for the year, Montanans should have cause to celebrate, right? While a low unemployment rate is generally seen as a sign of a healthy economy, there is such a thing as too little unemployment. In a tight labor market like Montana's, employers often struggle to fill vacant positions. Workers are becoming harder to find, especially for low wage jobs. According to a recent article in the Helena Independent Record, employment advertising grew 16% in the last year.¹ At times, business owners are forced to consider whether they can even open their doors. In order to attract workers, some businesses are offering higher wages, signing bonuses, or other incentives, which makes competing for employees all the more difficult.

What options are open to employers who are competing with other businesses to attract workers? As mentioned above, offering higher wages, signing bonuses, benefits and other incentives is one option. But often small businesses cannot be as competitive with wages and other financial incentives as larger businesses.

In recent years, there has been more focus on enticing retirees and seniors back into the labor market. This has been a great solution for many businesses, as seniors

bring a wealth of skills and experience with them. Some, however, are not interested in or able to work full-time due to social security earning limits, personal preference, or health reasons.

Another option is to hire foreign workers under the Foreign Labor Certification Program. This program allows employers to hire foreign workers, temporarily or permanently, when there are not sufficient U.S. workers who are able, willing, qualified, or available to perform the job. The Research & Analysis Bureau, which is responsible for setting these wage determinations, handled 276 wage determinations in the last year. Often, the wages set were higher than the businesses wanted to offer. Foreign labor certification is not meant to be used to hire foreign workers at a lower rate than U.S. workers, it is meant as a way to fill positions that can't otherwise be filled locally.

That leaves one more option that most people may not have considered--to hire individuals who are ex-offenders. More than 12,000 people in Montana are the responsibility of the Department of Corrections (DOC), with 8,100 offenders supervised by Probation and Parole². According to the DOC 2007 report, maintaining an offender on probation or parole costs about \$3.75 per day compared with more than \$70 per day in prison. It can be argued that there is a considerable economic benefit in having more people supervised by Probation and Parole than incarcerated.

To help former inmates make the transition into the workforce, local agencies provide many opportunities for further education and vocational training. Forty-one percent of the inmates at the Montana State Prison (MSP) do not have a high school diploma or GED (which is comparable to the national rate of



40%).³ Montana State Prison inmates who do not have a GED may opt to earn one, as approximately 10% of MSP inmates have done over the last ten years. Besides offering a GED program, MSP offers a wide range of vocational education programs. Table One lists the types of vocational education offered.

Table One: Vocational Education Offered at MSP

- Information processing
- Technology systems
- Laundry programs
- Automotive technology
- Diesel technology
- Industrial and agricultural equipment technology
- Driver's education (includes CDL)
- ASE certification
- Motor vehicle maintenance
- Food canning technology

Training in these areas gives inmates the opportunity to gain the skills needed for Montana's in-demand occupations. The Montana 2004-2014 Job Projections show that most of the occupations listed in Table Two pay wages above the Montana median hourly wage of \$11.86, and are expected to have a good number of annual openings.

Some offenders spend time at a transitional facility such as a pre-release center. One of the conditions prior to release from such facilities is finding employment. Employers interviewed for this article indicated they like hiring individuals in the pre-release centers because they are under a high level of supervision, have regular drug tests, are punctual, are presentable, and have job skills training. Many employers also take advantage of the Work Opportunity Tax Credit (WOTC) which allows a tax credit of up to \$2,400 on wages paid during the worker's first year of employment. If an employer hires 3 workers who qualify for WOTC, the employer would receive \$7,200 in tax credits. Many businesses who hire ex-offenders may be unaware of this tax credit. *(For more information on WOTC, contact Christy Robbins at 444-9046 at the Department of Labor and Industry.)*

Table Two: Openings & Wages for Selected Occupations

Occupation	Annual Openings	Median Wage
Installation, maintenance, and repair workers	25	\$23.54
Industrial machinery mechanics	18	\$18.64
Mobile heavy equipment mechanics, except engines	23	\$18.35
Bus & truck mechanics	42	\$16.13
Truck drivers, heavy & tractor-trailer	359	\$14.64
Automotive service technicians	191	\$14.62
Automotive body & related repairers	34	\$14.51
Machinists	28	\$14.41
Maintenance & repair workers, general	158	\$14.23
Farm equipment mechanics	16	\$13.87
Welders, cutters, solderers, & brazers	50	\$13.66
Parts salespersons	25	\$12.35
Bus drivers, transit & intercity	24	\$12.11
Truck drivers, light or delivery services	98	\$10.78
Helpers-installation, maintenance, & repair workers	33	\$10.16
Tire repairers and changers	36	\$9.90
Driver/sales workers	118	\$9.78
Receptionists and information clerks	196	\$9.57
Laundry & dry-cleaning workers	32	\$7.89
Taxi drivers and chauffeurs	24	\$6.91

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In the US Department of Labor's report, *Ready 4 Work: Business Perspectives on Ex-Offender Reentry*, employers in their focus groups had positive things to say about their experiences hiring ex-offenders. One employer said, "One of the ex-offenders we hired is now a store manager; and another is an assistant manager: Each has excellent management skills and both are great mentors to other ex-offenders we've hired."⁴

Employers' attitudes about hiring ex-offenders vary. Some feel it is their social responsibility to hire ex-offenders, while others fear the social stigma may hurt their businesses. Many employers say that the type of crime plays a factor in their attitudes towards hiring ex-offenders. Those who have committed violent crimes may have the hardest time finding work.

Some employers considering hiring ex-offenders are concerned with trust issues and liability. According to a U.S. Department of Commerce study, one-third of all employees steal from their employers. For companies with 1-49 employees 48% of employees have false information on their resumes, 34% have poor driving records (1-3 violations), 34% have negative credit reports, while only 4% have criminal records.⁵ Clearly, the problem of employee theft extends far beyond the number of ex-offenders in the labor force. However, if employers are still worried about hiring ex-offenders, there is a safeguard. The Federal Bonding Program can insure an employer against theft, forgery, larceny or embezzlement. Ex-offenders can be bonded for \$25,000 for up to 12 months, if employers cannot obtain bonding or insurance through their own providers.

The value of employment in reducing recidivism is apparent. Statistics gathered by the U.S. Probation and Pretrial Services System showed that unemployed offenders under their supervision were revoked at a rate more than 500% higher than those who were employed⁶. Eighty percent of the offenders who were revoked in 2005 were unemployed.⁷ Without employment to provide support for themselves and their families, it is difficult to succeed.

Retention is another concern some employers have in hiring ex-offenders. A conservative estimate of average turnover costs is 25% of annual wages. At the minimum wage of \$6.15 per hour, that equates to \$3,198 a year for each employee lost. If a small business turns over 10 employees per year, it costs them \$31,980—a considerable loss to the bottom line. That money could instead have been used to expand the business, make capital improvements, etc. However, businesses that are less competitive in wages suffer from higher turnover rates as a rule. Having a career ladder or room for advancement and a good work environment increases the likelihood of retention.

Employers considering hiring ex-offenders should be aware of certain accommodations they may have to make. For instance, they may need to be flexible in their scheduling, as many pre-release center residents are required to attend group sessions which cannot be rescheduled to suit employers. Transportation and housing are two other challenges ex-offenders face, as well as gathering the identification needed to start a job. The pre-release centers help offenders collect the necessary IDs; provide life skills classes; help them obtain their GED; inventory their skills, interests, past employment and future goals; and assist with the job search in an effort to reduce some of these challenges.

Whether an employer decides to hire an ex-offender because of the bottom line or for the social good, it could be one solution to filling a crucial need, both for businesses and for ex-offenders. In this tight labor market, the businesses that succeed will be the ones that find creative ways to attract and retain workers.

This month's feature article discussed the potential benefits of hiring ex-offenders. But what percentage of ex-offenders actually find employment? What industries do they work in, and how much do they make? By matching Unemployment Insurance records with information provided by the Montana Department of Corrections, R&A will soon be able to answer these questions. Look for a follow-up article in a future issue of Montana Economy at a Glance.

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Research & Analysis Bureau Wins Two LMI Awards

At the 2006 National Association of State Workforce Agencies (NASWA) LMI Director's Conference in Little Rock, Arkansas this fall, Montana received two national labor market information communication/publication awards. There were six categories of recognition at this year's conference. Montana received the award for *Internet Product or Service Providing Labor Market and Workforce Information to Customers* for www.ourfactsyourfuture.org and the award for *Product or Service to Increase Workforce Development Staff's Understanding of Labor Market and Workforce Information* for "Montana's LMI Boot Camp."

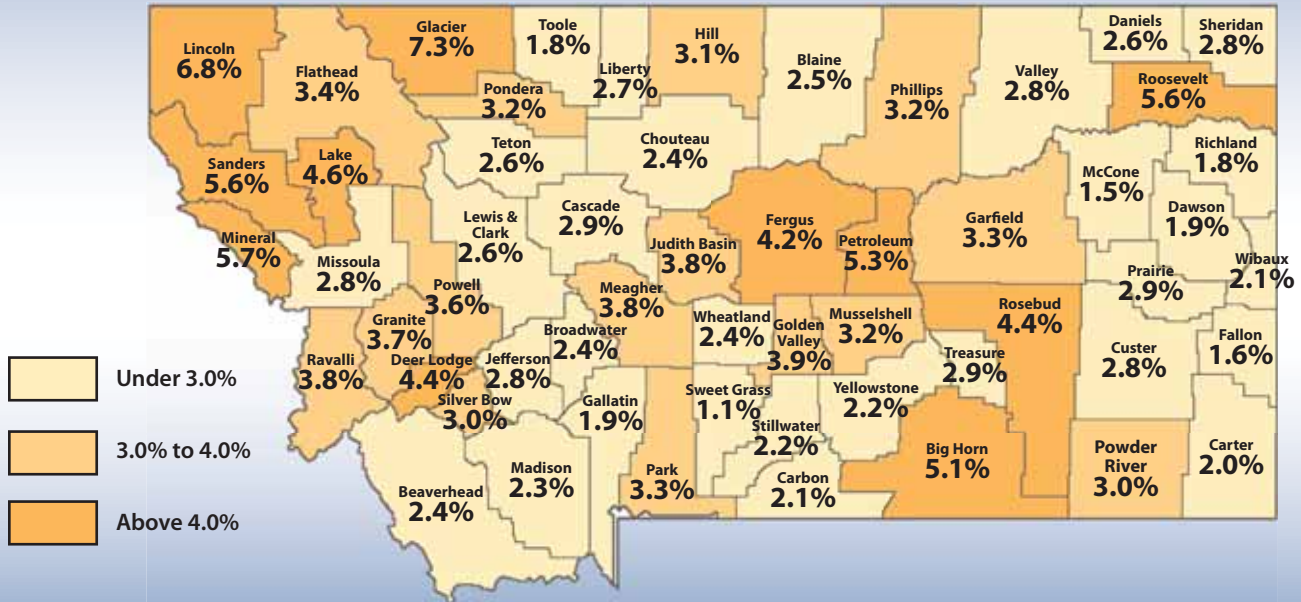


Montana Department of Labor and Industry's Research & Analysis Bureau

Judges for the awards were Bridget Brown, Executive Director, America's Career Resource Network Association, David Gibbons, Majority Clerk, Labor Health and Human Services, Education, and Related Agencies Subcommittee, U.S. House of Representatives Appropriations Committee, Linda Levine, Labor Economist, Congressional Research Service, Domestic Policy Division, Library of Congress and Martin Simon, Program Director, Social, Economic and Workforce Program Division, National Governor's Association.

COUNTY UNEMPLOYMENT RATES (NOT SEASONALLY ADJUSTED)

Montana Average Rate: 2.9%



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